Ethical Integrity in Leadership and Organizational Moral Culture

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Abstract *Ethical integrity and moral culture are defined, and ethical integrity in leadership, ethical dilemmas and failures, and organizational moral culture are examined. These views are measured against a number of case studies to determine whether there are linkages between organizational moral culture and the ethical or unethical integrity of leadership. A number of conclusions are drawn from the case studies. There appears to be a direct link between ethical leadership and organizational moral culture, although in some cases, considerable time may be needed to change the moral culture of an organization. Shareholders and the public appreciate and reward organizations with high ethical principles and moral culture whereas regulators are increasingly taking legal action against companies which flout shareholders' and the public's trust. The article questions whether codes of conduct, regular performance and audit reviews or other mechanisms to maintain ethics inhibit employees' right to moral autonomy. Finally, it is noted that inconsistencies exist in correlating private standards and behaviour as important predictors or determinants of ethical business conduct.*

Keywords *dilemmas; ethics; integrity; leadership; moral culture*

Introduction

Ethics, according to Saarinen, 'is a division of philosophy which includes studies of the nature, origin and field of good and bad, right and wrong, justice and other concepts related to these areas' (Lamsa, 1999: 346). *The Macquarie Dictionary* (1981: 614) defines 'ethical' as 'pertaining to or dealing with morals or the principles of morality; pertaining to right and wrong in conduct; in accordance with the rules or standards for right conduct or practice'. Ethics are standards of conduct that guide decisions and actions, based on duties derived from core values, fundamental beliefs or principles, defining what we think is right, good, fair and just, and demonstrating behaviours that tell people how to act in ways that meet the standard our values set for us (Ethics Resource Center, 2005).

Business ethics is a 'systematic study of business from an ethical point of view' (De George, 1989: 337). Ethical behaviour is concerned with 'ought' and 'ought not' and implies there are standards which may extend beyond what is required by law

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Vol 4(4): 419–442 DOI: 10.1177/1742715008095189 http://lea.sagepub.com

or is commercially profitable (Minkes, 1999). Exposure of unethical behaviour to public attention usually requires company failure, legal action, whistle-blowing, adverse publicity or individual knowledge. Consistent ethical behaviour may remain hidden on the basis that it is not newsworthy or is simply 'what is expected'.

For this article, the *moral culture* is defined as total organizational and cross generational behaviour, built up by a group of executives and their employees, contractors and suppliers demonstrating their distinction between right and wrong and principles or rules of right conduct. The *ethical integrity* of leaders is defined as a measure of how they deal with morals, the principles of morality, and right and wrong conduct within the business environment in accordance with the rules or standards for right conduct or practice.

This article considers ethical integrity in leadership, ethical dilemmas and failures, and organizational moral culture. Based on this analysis, I seek to test whether ethical integrity in leadership is important for the economic prosperity of an organization, whether there are limits to a leader's influence, and whether a leader's ethics affects the organizational culture in which they lead. The article also examines whether codes of conduct, regular performance and audit reviews, or other mechanisms aimed at maintaining ethics, inhibit employees' right to moral autonomy. Furthermore, whether there is correlation between private standards and behaviour as important predictors or determinants of ethical business conduct.

Nine case studies were chosen for their diversity in size, sector and scope of operations to help focus attention on the role of leaders' ethics in shaping the moral culture of large organizations. Cases were grouped into three major categories: where leader's lack of ethical integrity produced a diseased organizational moral culture; where changing the moral culture took considerable time; and where leaders' ethical integrity produced a healthy organizational moral culture. Space limitations allow only a brief history and analysis of each case.

Ethical integrity in leadership

Invariably, discussion on ethical leadership involves personal integrity. Most scholars regard integrity as a requirement of ethical leadership. Even across cultures, integrity is high on the list of essential leadership traits (Yukl, 2001). Ethical leadership has also long been thought of as including other personal traits such as trustworthiness, honesty, fair and principled decision making and behaving ethically in the leader's personal and professional life. However, it also includes proactive efforts to influence followers' ethical and unethical behaviour by making ethics an explicit part of the leadership agenda through communication, role modelling and rewards and sanctions (Brown & Trevino, 2006). Ethical leadership is the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement and decision making (Brown et al., 2005). In order to stand out against an ethically neutral background, executives must engage in socially salient behaviour; not just display traits such as integrity and practice value based inspirational leadership (Ethics Resource Center, 2005).

This raises the question of who is to be perceived as 'leader' in a large and complex organization. Some such as Covey (1991), Maxwell (2000, 2002), Newman (1993)

and Pearce (1995) see the individual as the leader, whereas with greater emphasis on governance, others such as Carver and Oliver (2002), Carver (2006) and Harvard College (2000) regard the board of directors as the organizational leaders. There is also a wealth of literature on the operation and responsibilities of the board (such as Chait et al., 1996; Fishel, 2003) and corporate governance (such as Dellaportas et al., 2005; Monks and Minow, 2004) which see the board and the chief executive officer (CEO) as having distinctive leadership roles within the organization. This article does not seek to arbitrate between these varying views but acknowledges that leadership can involve the board and/or individuals, depending on organizational structure and circumstances.

Where then does responsibility for ethical decision making lie? De George observes: 'national or international business can be no more ethical than the people who run the firms' (Reeves Ellington, 1998: 97), emphasizing individuals in positions 'at the top'. If strong ethical leadership is not demonstrated at the top, those below will not grasp its importance to business, thus diluting moral culture (Reeves-Ellington, 1998). However, if decision making is a process which involves organizational members at various levels, the buck does not stop just at the top but everywhere else. No one's share is diminished, but everyone's share is enhanced so that the concept of a decision infiltrates and influences everyone's behaviour. Some would argue that responsibility is non-existent because it is multi-causal but this leads to confusion between moral and physical responsibility. If, however, a decision is seen as a continuum involving everyone who is partially responsible, moral responsibility is automatically spread so that everyone must take responsibility. Hence, decisions infiltrate and influence behaviour at every level of the organization and once this is understood, it can be influential in altering future behaviour (Allinson and Minkes, 1990).

Ethical leadership is dependent on leaders using wisely their great potential to influence their organizations and employees. Because leadership theories involve values and implicit assumptions about proper forms of influence, there is no ethically neutral ground for the leader. However, there is a difference between ethics of an individual leader and types of leadership behaviour. This difference depends on a person's values, stage of moral development, conscious intentions, freedom of choice, and use of ethical and unethical behaviour. The final evaluation is influenced by both the qualities of the leader and the judge (Yukl, 2001). A moral peril is that power can insulate leaders from contingencies, combining self-interest and morality. This gives them less reason to expect setbacks to self-interest experienced by those who practice immoral behaviour (Price, 2000). Greenleaf observes:

> Service to followers is the primary responsibility of leaders and the essence of ethical leadership. The servant leader must empower followers instead of using power to dominate them. Trust is established by being completely honest and open, keeping actions consistent with values and showing trust in followers. (Yukl, 2001: 404)

Senior management practising selfish desire to benefit from loopholes suffer from a blurred distinction between what is ethical and what is legal, offending stakeholders on both counts (Bowen & Heath, 2005). Conformity to ethical requirements is a responsibility of, and depends on, organizational leadership. Overall rules and

established conventions set at the top of organizations determine employee behaviour (Minkes, 1999). However, in quoting a 1946 article by Herbert Simon, Allison and Minkes (1990) note that:

> For almost every principle one can find an equally plausible and acceptable contradictory principle. Although the two principles of the pair will lead to exactly opposite organizational recommendations, there is nothing in the theory to indicate which is the proper one to apply. (p. 181)

People at different levels have different views about ethics (Lamsa, 1999). However, leadership brings with it peculiar cognitive challenges which, if not addressed correctly, can lead to ethical failures. A ready willingness to abandon personal principle is at the root of many ethics violations rather than a lack of fortitude or courage, or ethics as a virtue. Morality therefore competes with personal interest and not ignorance (Price, 2000).

Leaders' decisions have tremendous impact on shareholders, employees, customers, suppliers, communities and the economy. Enhancing ethical education at a formative stage is arguably the highest priority of business schools. However, such schools cannot turn dishonest people into virtuous ones or give them the backbone to make very difficult moral and ethical decisions. That kind of character must be developed much earlier (Garten, 2005). Although cultures influence ethical behaviour in some instances, research has found that certain types of leadership behaviour, such as exploiting followers, is considered improper regardless of culture (Yukl, 2001).

Top management must play a crucial role in shaping organizational members' ethical values by being models of ethical behaviour and showing that ethics are important. This can be achieved through stressing ethical aspects of human resource management such as recruitment, performance evaluation, reward systems, ethics training and promotion procedures, and setting a formal Code of Ethics (Tsai & Shih, 2005). Nevertheless, actions of corporate leadership will always be the greatest influence, no matter how effective formal communication of ethics is. If leaders have been effective in communicating the importance of ethics for the organization, staff will take personal interest in protecting that reputation (Graf, 2005).

Leadership is a critical component of an organization's culture. Leaders shape and reinforce an ethical or unethical organizational climate by what they pay attention to, how they react to crises, behave, allocate rewards and hire and fire individuals. Leaders communicate their priorities, values and beliefs through themes emerging from what they focus on, so their personal values powered by their authority set the ethical tone of an organization. Business Roundtable (1988) makes the point that organizational leaders 'need to be openly and strongly committed to ethical conduct and give constant leadership in tending and renewing the values of the organization' (p. 4). Organizational factors play a critical role in shaping responsible behaviour on the job. Unethical conduct can be encouraged by rewarding conduct that violates ethical standards, by placing too much emphasis on managerial aggressiveness and corporate success at all costs, or on competitiveness or profits (Sims and Blinkmann, 2002).

A leader's responsibility is to provide guidance to employees about the values expected or required of them, the priority given to those values, and how absolute

those priorities are (Navran, 1994). Ethical leadership involves both encouraging ethical (and discouraging unethical) practices, developing mutual trust and respect among followers, and resolution of conflicts among stakeholders with competing interests (Yukl, 2001). Encouragement and reward systems drive ethical behaviour and require a real commitment to ethics by leaders and an ethics infrastructure. Unless employees know the rules and are shown or taught what ethical behaviour looks like in the context of their industry, organization and job, they may not behave ethically, even though that is a basic desire. There must be consequences for failing to act ethically, as for failing to achieve results, but ill-conceived reward systems can encourage unethical behaviour, despite best intentions (Mitchell et al., 2005).

> Private markets provide powerful economic incentives for ethical behaviour – and hence important safeguards for consumers – by imposing substantial costs on institutions and individuals that depart from accepted standards. Under most circumstances, good ethics is good economics. Poorly designed policies – those that give individuals or companies strong incentives to 'cheat' the system – produce unethical behaviour. (Smith, 1992: 23)

Recent experience indicates that 'having an ethics code or program may insulate an organization from significant exposure to criminal fines' (Laufer & Robertson, 1997: 1030).

Balancing corporate profitability and social responsibility is a daily decision faced by company executives (Minkes, 1999). When evaluating ethical leadership, the leader's intentions, values and behaviours must be considered. Ethical leaders must intend no harm and have respect for the rights of all affected people (Yukl, 2001).

Ethical dilemmas and failures

Ethical problems in business are caused by situations where it is not clear what is right or wrong, or where errors in judgement cause people to fail to make the best choice, despite knowing what is right and wrong (Lamsa, 1999). While the right answer to an ethical dilemma is clear to some, the same actions may be regarded as unethical by others. Perception is therefore an important component in resolving ethical questions (Minkes, 1999). Ethical or moral dilemmas can exist where no question of illegal activity is involved. Definitions of organizational politics are generally deficient by excluding ethical dilemmas and problems and replacing them with labels such as 'self-interested' or 'covert and crafty' which suggest determination of ethical behaviour is straightforward whereas, in fact, it is not. Conflicts exist between principled commitments, loyalty to friends and ethical requirements when weighing evidence. People are subjected to conflicting ethical demands where there is no straightforward, routine way to deal with the arising conflict (Provis, 2004).

Ethical dilemmas in leadership arise if the influence process involves creating enthusiasm for a risky strategy, when underlying beliefs and values are changed or when not all people benefit equally, or some benefit at the expense of others (Yukl, 2001). Sometimes commitments to people, values and principles run counter to approaches and actions necessary for survival of the organization and achievement of its goals (Provis, 2004).

A further ethical dilemma arises when an employer seeks to regulate or gain

leverage over an employee's moral behaviour at work in order to maintain control according to corporate values and policies and this conflicts with those supporting employees' right to moral autonomy. Wider societal interests, beliefs and values which play a major part in shaping and providing a context for individual moral action, should allow employees to resist control- and manipulation-oriented approaches to business ethics and allow them to make individual moral judgements. Qualities employees require to anticipate and deal with ethical issues in or caused by contemporary organizations can be stifled by control over ethics, particularly unilateral control limiting individuals' potential for moral imagination, responsibility and judgement (Maclagan, 2007).

Tough executive decisions are not ones of right versus wrong but a choice between two rights. Most dilemmas take one of four forms of conflict: truth versus loyalty; individual versus community; short term versus long term; and justice versus mercy. They also involve a solution by choosing one of three values: 'ends based' – doing the greatest good for the greatest number of people; 'rules based' – setting a universal standard is most important; and 'care based' – practice the golden rule or natural law, in that humans ought to pursue and promote actions which assist life (Vilaga, 2005).

Choice between alternatives is at the core of any business decision. Mostly the choice is clear but where any alternative will require subordinating one or more values, an ethical dilemma can arise. The way people handle ethical dilemmas can have a marked effect on an organization (Navran, 1994). Some see ethical failures as essentially matters of choice not cognition, caused not by a lack of understanding of morality requirements but by a desire to ignore these requirements (Price, 2000). When an organization's stated values, decisions of its leaders, behaviours encouraged and values of its employees are aligned, ethical congruence exists (Navran, 1994).

Success itself is often the cause of ethical failure, making leaders complacent and lacking in strategic focus, giving them privileged access to information, people or objects and unrestrained control of organizational resources, and inflating belief in their own ability to control outcomes. Leadership induces and maintains a leader's belief that they are exempt from moral requirements placed on others (Price, 2000). Business ethics should therefore be an explicit agenda item for management (Minkes, 1999). When ethical principles are elevated over legal standards, organizations think and act not only in their own interest but also in the public interest. An organization must base its legal standards on achievable operant ethical standards to balance public policy power with limits acceptable to stakeholders (Bowen and Heath, 2005).

Organizational moral culture

Organizational culture is shaped by many leaders, not just the CEO. Heifetz notes that 'formal authority is not necessary to provide ethical leadership' (Yukl, 2001: 403). Management's ability to derive and instantiate a set of values which encompass multiple interests will guide planning and anchor all morally responsible companies (Bowen and Heath, 2005). Company leaders must be actively involved in building a corporate value system by developing the ethical framework, aligning the organization to that framework, leading by example and addressing external challenges that pose ethical dilemmas to employees' behaviour (Sims, 2000). Ethical

congruence within an organization requires guidelines such as a code of conduct, rewards and sanctions, having systems which support the making of ethical business decisions and training employees about their ethical responsibilities (Navran, 1994).

Personal moral development may be shaped through mechanisms of control over ethics, providing 'stepping stones' for individuals to progress towards the post-conventional, autonomous level, or an imposed unitary culture where everyone in the organization shares the same culture (Maclagan, 2007). This exists where there is explicit managerial influence and control over organizational ethics and employees' moral behaviour through 'credos', 'value statements' or more specific 'codes of ethics' (Maguire, 1999). An opposing view is that recognition of a plurality of conflicting values would mature 'individual processes of self-inspection, critique and debate (Sinclair, 1993: 71). Also, fear of punishment rather than a sense of morality may be imposed by codes of conduct enforced by threats of disciplinary action (Laufer & Robertson, 1997).

Krikorian (1994) notes that five actions are required to encourage adherence to ethical conduct and shared value systems within business: integrating ethics into all levels and functions of operations requiring strong support from board and top management; having open and transparent communications; treating all employees as trusted and valuable individuals with opportunities to reach their full potential; placing utmost emphasis on serving the customer well; and ensuring all activities follow a written code of conduct fitting as tightly at the top as the bottom of the organization. Shreeve (2005) stresses that ethical standards need to be such a part of an organization that they no longer need to be discussed – they are simply there underpinning the entire ethos of the place. Sims (2000) also points to the need for a long term strategic and ethical plan that emphasizes a whistle-blowing mechanism and a training programme in business ethics so that this becomes paramount in the organization.

A company's ethical culture dictates ethical norms and behaviours of its members and may exert a powerful influence on members' personal moral philosophies – even on those who initially have fairly strong ethical standards. It may also serve to modify personal ethical philosophy within organizations (Tsai & Shih, 2005). Cognitive moral development and ethical decisions in business are related and specific training can influence both. Similarly, because ethical behaviour occurs in a social context, it is related to the situation and influenced by others (Yukl, 2001). Sound ethics is a necessary precondition of any long-term business excellence and must be based on values that most people hold dear. Deficient values can destroy a business (Solomon, 1999).

Corporate values clarify individual roles but can lead to role conflict where low levels of shared values exist. There is less conflict when the work environment is perceived as relatively ethical (Tsai & Shih, 2005). In moral conflicts, custom or organizational culture seems to motivate people to avoid the negative consequences associated with unconventional behaviour. Where this is not possible, people attempt to normalize or positively influence others' perception of behaviour so that it becomes the 'accepted thing' (Lamsa, 1999). Organizational ethical culture significantly influences idealism, an individual's attitude towards consequences of an action, and how it affects the welfare of others, with all being positively correlated. It also directly and indirectly affects role conflict through association with

relativism, the degree to which an individual rejects universal moral principles or moral absolutes (Tsai & Shih, 2005). For example, people tend to be tempted to cheat when they see others being allowed to cheat; not just getting away with it but actually being rewarded (McGee, 2005). When companies ignore unethical behaviour, the requirement to maximize returns to investors can weaken corporate culture (Ethics Resource Center, 2005). No matter how vague or specific a code of ethics or policy on conduct is, it is only as good as the cultural desire to make ethics work for mutual interest of the business and its stakeholders. An organization's culture must listen to and not just sell itself to stakeholders, markets and the public (Bowen & Heath, 2005).

Emphasis on a compliance culture can undermine ethics and values in the enterprise by not allowing individuals to make moral judgements. However, if managed carefully, it can extend ethics to those areas not normally reached (Webley, 2005). Ethics is far greater than accounting and disclosure, and a strong ethical culture is far greater than regulatory compliance. A company that distinguishes itself through strong ethical reputation is invariably more attractive to investors. Furthermore, employees who self-select employers based on ethical criteria will in turn build on an existing strong foundation (Graf, 2005). If organizations truly want to be ethical, full disclosure of issues must be made, allowing decision options to be accurately evaluated. Robust debate on ethical issues should be encouraged (Bowen & Heath, 2005).

Leaders' lack of ethical integrity producing a diseased moral culture

Salomon Brothers

Salomon Brothers is the investment banking division of Salomon Inc., a worldwide investment banker, market maker and research firm serving corporations, governments and their agencies, central banks and other financial institutions. On 21 February 1991, Paul Mozer, managing director in charge of Salomon Brothers' government securities trading desk, submitted a maximum bid for Salomon of $3.15 billion or 35 per cent of the $9 billion five-year Treasury note auction offering amount. Concurrently, he also submitted two unauthorized maximum bids in names of 'Warburg' and 'Quantum Fund', two of Salomon's clients, each for $3.1 billion (Salomon Inc., 1991). These bids circumvented a Treasury rule enacted seven months earlier following action by Mozer to submit Salomon bids for more than 100 per cent of previous Treasury offerings in order to pick up a lion's share of those offerings at the detriment of other bidders. Despite being warned by Treasury officials of excessive bidding, in July 1990 he again bid for more than 100 per cent of a Resolution Trust Corporation 30-year bond issue. In December 1990, Mozer submitted bids for 35 per cent of a four-year note auction but also submitted a bid for $1 billion under the name of Warburg Asset Management, a Salomon Brothers customer, without authorization. These two bids represented 46 per cent of the total offer. Mozer repeated this tactic in eight other auctions (Smith, 1992).

Because the 21 February offering was over subscribed, it was subject to a 54 per cent proration and so each of Mozer's bids attracted an allocation of $1.7 billion

with notes awarded to both 'Warburg' and 'Quantum Fund' being initially placed into customers' respective accounts and then immediately sold to Salomon at the auction price. Customer confirmations for these transactions were suppressed on instructions of Mozer. As a result of these unauthorized bids, Salomon effectively bid for 105 per cent of the offering and were awarded approximately 57 per cent of the issue, thus exceeding the 35 per cent purchase limit rule (Freedman & Mickens, 1993).

Mozer's actions were reported jointly by John Meriwether, Vice Chairman and Mozer's immediate supervisor; Thomas Strauss, President; and Donald Feuerstein, Chief Legal Officer to the Chairman and Chief Executive Officer, John Gutfreund. But the questions of terminating Mozer's employment and whether changes were necessary to guard against similar mistakes were not discussed. While Mozer's actions had been part of a pattern of fraudulent conduct, Meriwether defended Mozer's actions claiming it had been a mistake. Although those at the meeting decided Mozer's actions should be reported to government authorities, this action was not taken until four months later (Freedman & Mickens, 1993). Gutfreund, Strauss and Merewether were subsequently requested to resign and Mozer was fired.

While the requested resignations by Salomon's board and the New York Fed President largely reflect top management's failure to take action following the April meeting, it also results from a failure for monitoring the activities of subordinates to insure such illegal actions do not occur (Smith, 1992). In the Order instituting proceedings, it was stated that 'The Commission believes that the respondents' supervision was deficient and that this failure was compounded by the delay in reporting the matter to the government' (SEC, 1992). Ultimately, Salomon agreed to pay $100 million for private compensatory damage claims and $190 million to the US for penalties and claimed damages and forfeitures but avoided criminal charges. Salomon Brothers was also suspended from trading activity with the Federal Reserve for two months (Freedman & Mickens, 1993).

Gutfreund's leadership style helped mould a corporate culture that eventually resulted in unethical and illegal behaviour by Mozer and others. His tenure at Salomon's was marked by an absolute attention to a short-term, win-at-all-costs business focus, forcing employees to produce profits immediately. There is no evidence he had a long-term strategy for Salomon's. His reaction to unethical and illegal behaviour by employees was to try to cover it up but when this failed, he lied and attempted to save his position as CEO. Those who modelled themselves on Gutfreund saw that any opportunity for power should be seized and capitalized upon for personal gain. He rewarded aggressiveness, selecting ambitious, aggressive young people, giving them chances to create new departments and products and enjoy success not achievable in other firms. Gutfreund said, 'We listen to young people. We give them responsibility' (Sims & Blinkmann, 2002: 334). However, without a clear ethical culture within Salomon, unethical behaviour flourished as aggressive individuals pursued what they believed to be acceptable. The problem at Salomon's was not a few corrupt employees but a way of doing business that celebrated clever evasion of rules and trampled anyone standing in the way (Cleaning Up Salomon's Mess, 1991). Gutfreund's actions and behaviour helped to communicate important messages about the company's ethical climate (Sims & Blinkmann, 2002).

Enron

Enron began in Houston Texas in 1985 with the merger of Houston Natural Gas and InterNorth to become a leading energy commodities and service company with revenue of $101 billion in 2000 and employing 21,000 people. 'Throughout its existence, Enron relied crucially on borrowed cash for its day-to-day operations' (Cunningham & Harris, 2006: 31). Leadership at Enron created a culture that stressed innovation and entrepreneurship by employees at all levels, creating ethical dilemmas with no tolerance for failure. The culture failed people who did not think big. Because Enron's corporate culture was biased by encouraging people to hide failure rather than learning from mistakes, Enron's leaders were not able to take advantage of this learning process.

Enron focused on what was legal, taking a generous interpretation of the law, completely unrestrained by a higher-order ethical thinking. Even when using questionable ethics and legal principles, employees learnt to bend to praise and reward from leaders. Enron's maverick cultural manner failed to take account of ethical ramifications of its decision making or evaluation of those decisions by the public and environment in which it operated. The core of corporate corruption was hidden by a façade of good behaviour, but this was not able to be maintained in the long-run. An ethical organization's relationship with its stakeholders and the public is demonstrated by having its integrity as the essence of its interests. Enron's management was blinded to this essential balance of interests by their arrogance. Materialistic self-interest drove Enron's exploitation of accounting law loopholes which, although not technically illegal, were not moral. Rather than using it as an indicator of potentially dangerous disequilibrium, environmental feedback raising ethical questions on Enron's accounting practices was dismissed by management (Bowen and Heath, 2005). Enron's top executives focused on managing earnings, reported cash and the numbers rather than selling goods and services (Cunningham & Harris, 2006).

While Enron had a wonderful values statement and comprehensive ethics policy, with widespread unethical behaviour rife, these became of no value (Mitchell et al., 2005). Ethical issue management was not possible at Enron because full disclosure was only made at top levels and only on a 'need to know' basis. Its weakness was its ability to exaggerate and to believe its image in its claims of success was reality. Exploiting legal loopholes and creating market advantages left an ethical vacuum which seemed to erase concerns of responsibility, morality and correctness from Enron's corporate culture. It did not personify its ethical conscience. Its 'Code of Ethics' was merely a restatement of legal requirements for maintaining confidentiality and complying with laws of ownership of intellectual and physical property, advising employees facing ethical dilemmas to seek legal advice. Its Code of Ethics and Conduct of Business Affairs were effectively hollow and convenient platitudes because they lacked any substance of implementation (Bowen & Heath, 2005).

The *Wall Street Journal* of 26 August 2002 described the essence of Enron's culture as 'the expression of the personalities of its senior management . . . pushing everything to the limits: business practices, laws and personal behaviour' (pp. A1–A3). Enron's culture was brutal selfishness – aggression, self-interest, materialism and ethical egoism, failing as an ethical decision-making system, producing

short-term gains not capable of maintaining long-term relationships with stakeholders and the public necessary for the enduring survival of the organization (Bowen & Heath, 2005). Enron is an example of the unethical integrity of its leadership having disastrous effects on the moral culture which eventually led to Enron's bankruptcy in 2001.

WorldCom

Through an aggressive acquisition strategy during the 1990s, WorldCom was transformed from an obscure long-distance telephone company into the second largest long-distance telephone company in the US. Tom Stluka, a WorldCom capacity planner, used 'what-if' spreadsheet scenarios to plan for the future. Having experimented with internet capacity requirements doubling every 100 days, giving astounding revenue growth potential, the 'Big Lie', as it became known, quickly spread and within a year was being quoted by everyone as fact, despite valiant efforts by Stluka to rein it in. WorldCom's 1998 annual report stated that internet traffic was growing 1000 percent per year. This figure was used by Wall Street analysts, media, other companies and government, pushing capacity planning, fibre optic cabling, computer and other associated products production to unrealistic levels (Sayles & Smith, 2005). Sustaining this 'lie' gave rise to the biggest fraud in corporate history.

A WorldCom internal auditor, Cynthia Cooper, and colleagues grew suspicious of a number of peculiar financial transactions, and investigations exposed a series of clever manipulations intended to bury almost $4 billion in misallocated expenses and phoney accounting entries. Aroused by a complaint by a senior line manager that Chief Financial Officer Scott Sullivan had usurped a $400 million hedge against anticipated revenue losses, she first inquired of the company's accountants, Arthur Andersen, but having been brushed off, approached the board's audit committee, putting her in direct conflict with Sullivan who warned her to stay out of such matters. Undeterred, her continued investigations revealed a financial analyst had been fired for failing to go along with accounting chicanery involving a $2 billion accounting entry for unauthorized capital expenditure (Moberg & Romar, 2003). By misclassifying a host of transactions as capital expenditure rather than operating expenses, thousands of small billing 'errors' added up to a huge fraud. Line managers complained that thousands of dollars appeared or disappeared from profit and loss statements each month but they could never get a straight answer from executives about reasons for these transactions (Sayles & Smith, 2005).

WorldCom was marked by top executives who browbeat underlings for questioning their authority, warning an employee in one instance 'not to show auditors the numbers or I'll throw you out the . . . window' (McLean, 2003). Ebbers, the former chairman, attended meetings where company officials discussed ways to artificially inflate revenue. Ebbers ruled with 'nearly imperial reign' (McCafferty, 2004). WorldCom's control and command structure had a lot of power concentrated at the top and orders were to be followed under the threat of being fired. A generous stock option plan was supplemented by a $238 million employee retention programme used at the discretion of Ebbers and Sullivan to keep both selected employees and their partners quiet (McCafferty, 2004). One report faulted Ebbers 'for fostering a

poisonous corporate culture' (McLean, 2003) and was aware of financial gimmickry. Ex-Chief Financial Officer Scott Sullivan and other key finance executives manipulated WorldCom books to hide real numbers. Another report described corporate culture dominated by Ebbers and Sullivan 'with virtually no checks or restraints placed on their actions by the board of directors or other management. Lack of governance made many people, rather than a few, responsible for driving WorldCom into bankruptcy' (McLean, 2003: 1). Ebbers appeared to be an indifferent executive who 'paid scant attention to the details of operations' (Moberg & Romar, 2003: 2).

In July 2002, WorldCom filed for bankruptcy protection, admitting to a $9 billion adjustment over a two and a half year period (Moberg & Romar, 2003). A post audit revealed sloppy and fraudulent bookkeeping and overvaluation of several acquisitions by $5.8 billion. Sullivan and Ebbers had claimed a pre-tax profit for 2000 of $7.6 billion whereas the real result was a loss of 48.9 billion including a $47 billion write-down of impaired assets. Instead of a $10 billion profit for 2000 and 2001, WorldCom's loss in 2000 to 2002 was $73.7 billion (Romar & Calkins, 2006).

According to Richard Breeden, a former SEC chairman and MCI's appointed corporate monitor on behalf of the District Court:

> It was a very low-tech fraud in a sense. If [a WorldCom employee] didn't like the figure he got, he just changed it. It was not unknown for accountants at headquarters to arrive at work to find post-it notes on their computer monitors telling them to change numbers. In some case imaginary revenue was added using consolidated entries in big, round numbers that did not even look real. (McCafferty, 2004: 2)

Ebbers was found guilty of one count of conspiracy, one count of securities fraud and seven counts of filing false statements with securities regulators. He was sentenced to 25 years imprisonment for his role in the huge accounting scandal that led to the largest bankruptcy in US history. It was claimed that Ebbers allowed accounting frauds to protect his personal fortune and loans from WorldCom totalling $400 million. Sullivan pleaded guilty to the same nine charges against Ebbers, but received a relatively light sentence of five years imprisonment in return for pleading guilty and assisting prosecutors in building a case against Ebbers (Romar and Calkins, 2006). In addition, a handful of former company executives pleaded guilty to charges of securities fraud (Crawford, 2005). Yet, for all its magnitude, the WorldCom fraud directly involved fewer than 50 employees out of a total workforce of 50,000 people (McCafferty, 2004), indicating the unethical behaviour had been restricted to a select group of people who took their orders directly from Ebbers and Sullivan.

HIH Insurance

HIH Insurance and its many subsidiaries had been a key player in Australian and international general insurance; workers' compensation; public and private liability; and property, industrial and commercial insurance. However, unethical integrity of HIH's leadership flowed to lower ranks and eventually led to the company being put into liquidation in March 2001, representing one of the biggest collapses in Australian corporate history, with the liquidator estimating losses of between $3.6 billion and $5.3 billion in September 2001 (ERisk, 2001). Furthermore, the New

South Wales (NSW) Auditor General reported that the collapse would significantly affect NSW government finances with an estimated $600 million liability for support packages for residents who have HIH compulsory third party and home owner warranty insurance claims, $30.5 million for outstanding and potential claims by public sector agencies, $28 million for NSW Work Cover Authority, and other losses by state agencies holding HIH shares (AG, 2001).

The following list of charges and court action against a number of executives and senior officers demonstrates how HIH's culture was influenced by unethical leadership at the top.

- In 2002, Rodney Adler, a former director, was sentenced to four and a half years jail on four charges arising from his conduct as a director of the HIH group of companies. In sentencing Mr Adler, Justice Dunford said: 'The offences are serious and display an appalling lack of commercial morality . . . Directors are not appointed to advance their own interests but to manage the company for the benefit of its shareholders to whom they owe fiduciary duties . . . They were not stupid errors of judgement but deliberate lies, criminal and in breach of his fiduciary duties to HIH as a director' (ASIC, 2005: 1). The Chairman of the Australian Securities and Investments Commission (ASIC) said, 'The custodial sentence handed to Mr Adler sends a clear message to corporate Australia that ASIC, the community and the courts will not tolerate criminal behaviour against the interests of shareholders' (ASIC, 2005: 1).
- William Howard, former general manager, was sentenced to three years in jail for dishonestly receiving from Brad Cooper approximately $124,000 in return for facilitating payments by HIH directly or indirectly in favour of Cooper and also facilitating a payment of $737,000 to a company associated with Cooper knowing the payment obligation had been discharged (ASIC, 2005).
- Ray Williams, former general manager, received a jail term for failing to exercise duties as a company director by signing a misleading letter to FAI Insurance note holders, giving investors misleading information in the HIH 1998–99 Annual Report, and omitting information from a prospectus to raise up to $155 million for the takeover of FAI (ASIC, 2005).
- Brad Cooper, a former HIH Insurance and FAI Insurance associate, was convicted of six counts of corruptly giving a cash benefit to influence an agent of HIH Insurance and seven charges of publishing a false or misleading statement with intent to obtain financial advantage (ABC, 2005). In respect of Cooper, ASIC Chairman Jeffry Lucy said, 'The successful prosecution . . . is a further and important step to bring those associated with the failure of HIH to account . . .' (ABC, 2005).
- Charles Abbott, former deputy chairman of HIH Insurance, was charged with dishonestly using his position as a company director (ASIC, 2005).
- Timothy Mainprize, Daniel Wilkie and Stephen Burroughs were committed for trial on charges of failing to act honestly in the exercise of their powers and discharge of their duties as officers of FAI General Insurance Company Limited. Mainprize and Wilkie were also committed on one count each of providing false and misleading information (ASIC, 2005).

- Terry Cassidy pleaded guilty to two charges of recklessly making false statements and one charge of recklessly failing to discharge his duties as a director for a proper purpose (ASIC, 2005).
- Dominic Fodera, former HIH finance director, was found guilty and jailed for three years for signing a prospectus in October 1998 for a converting note issue by HIH which failed to disclose that the issuer's main underwriter, which was ostensibly risking $35 million, was not actually taking any risk at all. While Societe Generale Australia Ltd (SCAL) invested $35 million in the issue, through a device called a total return swap, it obtained a matching investment by the parent HIH Insurance (ABC, 2007; Main, 2007a, 2007b).

The foregoing chronology of fraud and corruption within HIH Insurance demonstrates how 10 of its senior leaders promulgated unethical behaviour for their own benefit and with complete disregard for the interests of shareholders, staff and customers, with devastating effects on the culture of the organization. It also demonstrates the increasing role of regulators to seek out and bringing to justice those who practice unethical behaviour in the corporate world.

Leaders' ethical integrity taking considerable time to impact moral culture

New South Wales Police Services

After a period when ethics at a senior level within the NSW Police Service was not high, even extending to the government of the day, Jim Lees (1979–81) was appointed police commissioner. He had joined the force in 1936 and headed the Internal Affairs Branch for 12 years and held high moral values which he encouraged within the service, enjoying the 'Untouchables' tag, given to him and his men because he could not be bribed. Starting in 1958 with a staff of one, he built up the section under Commissioners Norman Allan and Fred Hanson. During his time, 412 policemen were sacked and 402 criminal charges were laid against officers. Mr Lees said 'he was putting police before the courts at an average of one every 10 days' (Brown, 2004). He restructured the 21 Division, responsible for policing gaming, and expanded the Crime Intelligence Unit. In June 1979, after the tempestuous term of Commissioner Merv Wood, the government made Mr Lees acting commissioner and in October confirmed him in the position. His term was destined to be turbulent as well, due to the misdeeds of his deputy, Bill Allen, who became entangled in a bribery scandal. The current police commissioner, Ken Moroney, said after Jim Lees' death that, 'A lot of good things have happened in the last 15 years but Jim Lees was the beginning of it' (Brown, 2004).

Cecil Abbot (1981–84) also demonstrated high ethical leadership. He was Assistant Commissioner (Crime) before being appointed Commissioner in October 1981. His message to police was to believe in their ability to maintain law and order in a trendy society; provide the service to government and community for which they are obligated; and, above all, apply wisdom, understanding and common sense in the performance of same. He maintained that discretion and tact are the essential requirements if public support is to be obtained (Policensw, 2007). Under John Avery's

(1984–91) leadership, codes of conduct were developed, more open management of the service commenced and people were held accountable for performance and behaviour.

Tony Lauer (1991–96) had a strong moral background and demonstrated high ethical behaviour. Again, management was open and transparent. There was much greater visibility of the commissioner throughout the service and greater interaction between the executive team and rank and file. Tony Lauer surrounded himself with people of high integrity and strived to obtain correct and accurate information about matters being dealt with, be they finance, human resources, policing matters or industrial issues. Tony Lauer told a conference on police accountability that, in his view, police were 'arguably the most accountable of all public institutions', supporting the view that the structure for police accountability in NSW appeared to cover all aspects of management, service delivery, competence and misconduct and to be both wide-ranging and multi-layered (Chan, 1999: 259).

However, despite the work of these four commissioners over some 20 years, corruption within the service had reached such levels as required the government to set up the Wood Royal Commission and the Police Integrity Commission to weed out and deal with corruption. The Royal Commission's report pointed to the fact that 'in spite of the presence of a comprehensive structure of internal management and external review, police corruption was found to be "systemic and entrenched"' (Chan, 1999: 256). An alternative view is that because of the strong influence of these four commissioners and their senior executives in attempting to change ethical culture, corruption and unethical behaviour became buried, requiring formal mechanisms of a Royal Commission and Police Integrity Commission to deal with it.

Peter Ryan (1996–2002) was brought in from the UK to succeed Tony Lauer as commissioner with a clear mandate to rid the service of corruption. He adopted a much more closed management style, removing many of the then senior executives from office. Ryan took up his appointment as commissioner at the height of the Wood Royal Commission (1994–97). His brief was to weed out the corrupt, lazy and inept and put into place reforms that would deliver a professional and honest police service, both responsive and responsible to the community it serves. Reform was implemented in a series of well-planned stages, including complete restructuring of the service, appointment of new commanders followed by consolidation, combined with the development and implementation of improved policing procedures. His vision was for a police service that is corruption resistant, working smarter and achieving world's best practice in all areas (Policensw, 2007).

Ken Moroney (2002–07) continued to maintain a high ethical standards and influence within the service. There is now a much greater emphasis on training officers in ethical behaviour and use of the NSW Police College and other police training facilities to teach ethics.

Andrew Scipione (2007–) has recently been appointed commissioner. He has demonstrated strong ethics that permeate throughout the areas he has been responsible for. He was ostracized by workmates in his earlier police career because he rejected corruption and could not be trusted to do the wrong thing (Trembath, 2007).

Despite strong ethical leadership by commissioners and senior executives, corruption continues and the Police Integrity Commission has a continuing role. However,

corruption within the rank and file members is gradually being weeded out and the overall moral culture of the organization is being changed.

Leaders' ethical integrity producing a healthy moral culture

Johnson and Johnson

Johnson and Johnson is a worldwide pharmaceutical company. The death of seven people in Chicago in 1982 as a result of ingesting extra strength Tylenol capsules laced with cyanide made it necessary for Johnson and Johnson to immediately launch a public relations programme in order to save the integrity of the corporation and the product. Investigation showed tainted capsules were from four different manufacturing lots, taken from different stores over a period of time, tampered with and then placed back on the shelves of five different stores in the Chicago area (Kaplan, n.d.).

Chief Executive James Burke made the moral decision that risked the loss of Johnson and Johnson's market value by courageously taking Tylenol, one of its leading products, off shelves because of safety scares (Garten, 2005). Burke observed, 'companies with written, codified principles stating a central belief in serving the public in an ethical manner perform better in the marketplace than other companies, thus there is a clear relationship between conducting business according to ethical principles and the bottom line' (Krikorian, 1994: 48).

Forty years earlier, Robert Johnson, the company's leader for 50 years, wrote the 'Credo' believing it both moral and profitable with business having responsibility to society going beyond usual sales and profit incentives. Lawrence Foster, vice president at the time of the Tylenol incident, said the company 'simply turned to their corporate business philosophy, which they called "Our Credo" when determining how to handle the Tylenol situation'. David Clare, President, said 'It was the Credo that prompted the decision that enabled us to make the right early decisions that eventually led to the comeback phase' (Kaplan, n.d.: 3). Johnson and Johnson's handling of the Tylenol case is considered by public relations experts as one of history's best, gaining media praise for its socially responsible actions .

> Johnson and Johnson has effectively demonstrated how a major business ought to handle disaster and should be applauded for being honest with the public. What Johnson and Johnson executives have done is to communicate the company is candid, contrite, compassionate, committed to solving the murders and protecting the public. (Knight, 1982: 1)

> Many executives attribute the comeback's success to the quick actions of the corporation at the onset of the Tylenol crisis and, had it not been so direct in protecting the public interest, Tylenol capsules would not have re-emerged so easily. (Kaplan, n.d.: 5)

Burke said, Tylenol's comeback 'will take time, it will take money and it will be very difficult; but we consider it a moral imperative, as well as good business, to restore Tylenol to its pre-eminent position' (Johnson and Johnson, 1982).

Pitney Bowes

In Chicago in 1901, Arthur Pitney thought a postage meter would be a preventative measure to help stamp out stamp theft. In 1902, the Pitney Postal Machine Company was formed and, by 1912, the postage meter machine was developed. In 1919, Arthur Pitney met Walter Bowes who had success with a post office stamp cancelling machine and, in April 1920, the Pitney Bowes Postage Meter Company was formed. Since its formation, Pitney Bowes has evolved into a global leader in mailing equipment, leading the way in developing new equipment and embracing technological change. The first Pitney Bowes Postage Meters entered the Australian market in 1930 when the company was represented by the Remington Company. It is now a world leader in supplying postage meters (or franking machines), electronic postage scales, folding and inserting systems, mail openers, high-end computer output mailing systems, package tracking systems and customer communication management software (Pitney Bowes, 2007).

Krikorian (1994: 49) quotes Fred Allen, head of Pitney Bowes, saying 'we must learn to sacrifice what is immediate, what is expedient, if the moral price is too high. What we stand to gain is precious little compared to what we can ultimately lose'. Pitney Bowes is regarded by Krikorian as an organization that has been successful in integrating ethics into practice and supporting the view that the organization's moral culture is strongly connected to Fred Allen's ethical integrity.

In February 2007, *CRO Magazine* announced Pitney Bowes Inc. had been added to the '100 best corporate citizens' list, an indicator of best practices in corporate responsibility. Pitney Bowes is one of only 11 firms that had earned the honour for eight years in a row since the award was established. Among the criterion used to select winners are to be a leader in their field, out ahead of the pack, showing the way ethically; have a significant presence on the national or world scene, so their ethical behaviour sends a loud signal; and have faced a recent challenge and overcome it with integrity, or taken other recent steps to show their commitment is currently active (CRO, 2007).

Murray Martin, current president and chief operating officer of Pitney Bowes, said, 'Our corporate responsibility is reflected in our strategic development in diversity, community affairs, governance and employee relations' (*Business Wire*, 2007: 1).

Salomon Brothers Revised

Warren Buffett succeeded Gutfreund as chairman of Salomon Inc. Buffett has a reputation for high integrity, brilliant investing and a caustic attitude regarding the foibles of Wall Street (Norris, 1991). Buffett vowed to change Salomon's culture of greed, contempt for government regulations, sneering attitude towards ethics or any other impediment to earning a buck, threatening to fire anyone flirting with impropriety (Cleaning up Salomon's mess, 1991). Setting guidelines for the troubled firm, he gave a clear message: 'Losses will be tolerated, anything that damages the reputation of the firm will not' (Feurbringer, 1991: 1). Buffett established a code of ethics, disciplined violators, created an ethical advocates role, focused attention on improving the moral fibre of the firm, reacted swiftly to crisis by complying with

authorities and firing unethical wrongdoers, conveyed the image of one of the country's most ethical investors and allocated rewards according to employees' performance (Sims, 2000).

Buffett appointed Deryck Maughan, the straight-laced and poker-faced former British Treasury official as Salomon's president and chief operating officer to help him 'clean up the sins of the past and to capitalize on the assets of the firm' (Malkin, 1991: 1). Underscoring Salomon's rapidly changing culture, a large management shake-up was announced, under which its board was replaced and power spread across more divisions (Eichenwald, 1991). Maughan subsequently replaced Buffett as chairman. Salomon was subsequently acquired by the Travelers Group which is now known as Citigroup. Buffett remains on the board.

MCI Inc.

In April 2004, WorldCom exited bankruptcy and changed its name to MCI Inc., boasting a clean set of books and a mere $5.8 billion of debt. Much of the work involved in achieving this massive transition fell on three people:

- CEO Michael Capellas, who brought a reputation for integrity and forthrightness in his leadership skills;
- Executive Vice President, Chief Financial Officer and Chief Accounting Officer Robert Blakely with past experience restructuring Tennico Inc., a $13 billion energy conglomerate, making major improvements to internal controls and risk management at Lyondell Chemical Co., managing director of Morgan Stanley, a four-year appointment as a member of the Financial Accounting Standards Advisory Council and a founding member of Standard and Poor's Issuer Advisory Council;
- Richard Breeden, a former SEC chairman and MCI's appointed corporate monitor on behalf of the District Court.

According to Breeden, who wrote the 160-page report entitled *Restoring Trust* (2003) on MCI's new governance structure:

> An important part of the structure of any company should be the adoption and communication of a statement of values and principles of ethical conduct. Compliance with law is part of an overall framework of ethical conduct, but complying with the strict letter of the law is not a sufficient goal. Ideally a company should not wish to approach too closely to the point of committing illegal conduct, and its ethical principles and code of conduct can help eliminate conduct that is too close to the line of illegality. (p. 138)
>
> This issue is quite important for every company. A code of ethics is an opportunity for a company to express important values, and in this manner to reflect both the norms of society generally, and the standards of behavior that the company wishes to set for itself. Codes of ethical conduct are an important element of the 'tone at the top' that the board and senior management should together communicate to the employees. That tone is critical in developing and maintaining a broader framework of internal controls against inappropriate

> conduct. However, the very first step in making a code of ethics workable is for the senior management team to exhibit such values in their management of the company. (Breeden, n.d.: 2)

Discussion and conclusion

This study set out to examine whether ethical integrity in leadership is important for the economic prosperity of an organization; whether there are limits to a leader's influence; and whether this affects the organizational culture in which they lead. The case studies give weight to the proposition that there is a strong link between ethical integrity of leadership and organizational moral culture, particularly where unethical leadership existed. In extreme cases, such as Enron, this unethical behaviour permeates the organization leaving an ethical vacuum, erasing concerns of responsibility, morality and correctness from corporate culture. The economic prosperity of an organization is very dependent on the moral integrity of the leader – where they failed to act ethically, this had disastrous effects on staff, shareholders and the community.

MCI and the new Salomon Brothers demonstrate that a new ethical leader can quickly bring about change in the organization's moral culture. However, the NSW Police Service highlights the time necessary for some organizational culture to change under continual strong ethical leadership and that change may expose far greater unethical behaviour than was originally believed to exist. These cases also show the strong link existing between leader and executives and the roles each play in influencing moral culture. However, NSW Police Service raises questions whether, in highly militaristic organizations, the ethical influence of chief executives can permeate from top to bottom of organizations or whether multi layers and organizational spread inhibit this influence. It is worth noting here that in HIH Insurance, WorldCom and Salomon Brothers' unethical behaviour was only evident in a small number of people, all heavily influenced by the CEO or other senior leaders.

This then raises questions about whether leaders, be they ethical or unethical, have a limited span of influence, and whether an organization needs to rely on more than just the ethical standards of its leaders to be ethical in itself. Does this point, for example, to the need for ethical training as a core recruitment and continuing education requirement, such as took place in MCI Inc., or the need for codes of conduct, regular performance and audit reviews or other mechanisms to maintain ethics? Would such action inhibit employees' right to moral autonomy (Maclagan, 2007)?

Johnson and Johnson and Pitney Bowes demonstrate that strong ethical leadership and a strong moral organizational culture is appreciated by business and public, while cases such as WorldCom and HIH Insurance show the lengths to which some unethical leaders will go to satisfy their own ends, and the heightened awareness of unethical behaviour and actions that regulators such as ASIC and SEC will take to eliminate it.

To be successful in achieving an ethical turnaround, a leader must first understand the organization's culture and sub-culture and then work to eliminate any conflicts in ethical standards through proactive steps to communicate explicit ethical behaviour to be followed in the future (Sims, 2000). Salomon Brothers revised and MCI

Inc. provide good examples of where such understanding and clear moral integrity by new leaders had dramatic effects on turning around an unethical organization.

An exploration of the private lives of those involved in corporate scandals nets inconsistencies in concluding whether private standards and behaviour are important predictors or determinants of ethical business conduct (Jennings, 2005). Richard Breeden also picks up this point:

> It is worth noting that persons engaged in wrongdoing may often indulge in frequent prayer, and expressions of dedication to integrity, all without meaning. Flowery words expressing adherence to the highest standards of integrity are relatively easy to write, but it is deeds, not words, that count. (Breeden, 2003: 138)

In summary, the case studies presented here strongly suggest that highly ethical management practices lead to successful businesses and that ethical integrity in leadership is directly linked to organizational moral culture. However, some questions remain regarding the effectiveness of recruitment and succession planning and the need for boards to actively build a corporate value system by developing an ethical framework and aligning the organization to that framework, as was done by Breeden in MCI Inc. Future studies will examine these matters and the question of span of influence further.

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